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USSR Report

INTERNATIONAL ECONOMIC RELATIONS

No. 16



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CONTENTS

USSR-CEMA TRADE

Economic Integration of CEMA Countries Discussed (Yu. Konstantinov; POLITICHESKOYE SAMOOBRAZOVANIYE, No 6, 1981).....	1
IBEC Activities for 1980 Summarized (FOREIGN TRADE, No 8, 1981).....	10

TRADE WITH INDUSTRIALIZED COUNTRIES

Foreign Trade Minister Discusses USSR-France Trade (Nikolai Patolichev; FOREIGN TRADE, No 8, 1981).....	15
Economic Relations Between USSR and West Europe Analyzed (N. N. Inozemtsev; EUROPÄISCHE RUNDschau, No 3, 1981).....	24

USSR-CEMA TRADE

ECONOMIC INTEGRATION OF CEMA COUNTRIES DISCUSSED

Moscow POLITICHESKOYE SAMOOBRAZOVANIYE in Russian No 6, 1981 pp 59-65

[Article by Yu. Konstantinov: "An Instrument for Socialist Economic Integration"]

[Text] The Communist Party of the Soviet Union and other fraternal parties of the socialist accord are setting as an immediate task in the area of economic policy further deepening of socialist economic integration on the basis of long-term target programs. "Now these programs," said Comrade L. I. Brezhnev at the 26th CPSU Congress, "are embodied in concrete actions. Integration is gathering speed."

The development of economic integration requires that its participants combine efforts and material and financial resources. Therefore there is also an increase in the role of the international currency system which is based on the transferable ruble. It performs the functions of the international socialist collective currency of the CEMA countries. Prices in reciprocal trade are established in this currency, international accounts and credit operations are carried out in it, and it is used to finance long-term target programs of the community. In order to understand the role played by the collective currency in the economic integration of the socialist countries, it is important first of all to disclose its essence and functions.

The Necessity and Essence of the Transferable Ruble

The transferable ruble did not appear simultaneously with the creation of the CEMA in 1949. At first the cooperation among the socialist countries was mainly bilateral and extended mainly to the sphere of exchange. Clearing accounts, mainly bilateral, were used for payments for foreign trade transactions then. This was a system of international accounts which envisioned mandatory equality of commodity deliveries and payments between two countries and the need for annual balancing of them. All accounts were handled without cash through reciprocal discharging of mutual demands and commitments.

The Soviet ruble became the currency for clearing, that is, for commensurability of reciprocal commodity deliveries and payments, at the beginning of the 1950's. In essence it was an accounting unit which could be used only for particular purposes envisioned by the bilateral payment agreement and only in bilateral transactions. This system of accounts was objectively necessary and economically expedient at that time. It corresponded to the economic capabilities of the socialist countries in the stage of the establishment of their reciprocal economic ties and forms of

cooperation, it contributed to planned commodity exchange and it provided for accounts without bringing in gold or capitalist currencies. But strict bilateral balancing of payments limited the growth of the commodity turnover. Its volume was equal to the amount of commodity deliveries of the country, whose export capabilities were less if it did not obtain credit.

As the economies of the socialist countries became stronger, the division of labor among them became deeper and their national economic plans were coordinated, bilateral accounting relations alone became inadequate. It was necessary to create an international currency system which could actively contribute to the development of multilateral forms of economic and scientific-technical ties among the countries. The clearing ruble as an accounting unit could not be the basis of the currency system. Consequently, a new international form of money was needed. To this end, the governments of the CEMA countries on 22 October 1963 concluded the Agreement on Multilateral Accounts in Transferable Rubles and the organization of the International Bank for Economic Cooperation (MBES). Beginning 1 January 1964, the MBES began to perform its operations. This date is also considered to be the day of the "birth" of the transferable ruble. It fulfills the following functions of world money: a measure of value, a means of payment and a means of accumulation.

The comprehensive programs for socialist economic integration named the transferable ruble as the international socialist collective currency. Let us explain each of these terms. First of all, the transferable ruble is not the Soviet ruble. It was not given the name "ruble" because it is based on the Soviet ruble, that is, the monetary unit of the Soviet Union. This name is the result of the reciprocal, voluntary agreement of the CEMA countries. The transferable ruble is an international currency. As such it has a number of principle distinctions from national currencies, including from the Soviet ruble.

The transferable ruble functions on the basis of an interstate agreement; it enters currency and financial circulation through the international credit institution--the MBES; it is used exclusively for interstate ties; its purchasing capacity is reflected through foreign trade prices. The national currencies of the CEMA countries function in keeping with the legislation of each state; they are put into circulation by the national bank; they are used, as a rule, within a particular country; and their purchasing capacity is reflected through internal national prices. In other words the transferable ruble performs monetary functions internationally, and the currency of each CEMA state, nationally.

This ruble is called transferable because of the conditions of its utilization. It functions in the form of entries in the accounts of the MBES and authorized banks of the CEMA countries, that is, it is not put into circulation in the form of bank notes or coins. And there is no need for this: the transferable ruble was created for keeping interstate accounts for foreign trade, credit and other operations. In the generally accepted world bank practice these operations are always conducted without cash, that is, by entries in the accounts at the banks. Incidentally, the U. S. dollar, while it has a bank note form of circulation, usually enters international accounts without cash. Therefore, even if the transferable ruble were issued in the form of bank notes it would still not be circulated. Technically, accounts are kept by transferring funds from the account of one country in the MBES to the account of another. Hence the name of the ruble--transferable.

But the actual transferability of this currency has nothing to do with its name. The transferable ruble, as distinct from the clearing ruble, is a means of multilateral monetary accounts. And they are based on the principle of the "transferability" of the currency. This signifies the right and possibility of each country to freely utilize the funds belonging to it for payments to any other country participating in the system of multilateral accounts. One can envision the way this right is exercised as follows: Hungary, for example, has delivered Ikarus buses to Poland. With the money they received the Hungarian foreign trade organizations can purchase machine tools from Czechoslovakia. At the same time Czechoslovakian importers, having received transferable rubles, can use them to buy sugar from Cuba and Cuba, in turn, can make purchases from Hungary.

This way the currency becomes actually transferable. From the standpoint of the technical maneuvering of the accounts, the MBES in this case transferred funds from the accounts of certain countries into the accounts of others. This system of accounts is of great national economic significance--the countries' gold currency reserves are saved. Were it not for the transferable ruble they would have had to create special monetary reserves for financing foreign trade and investments or use credit in convertible capitalist currencies. In order to create these reserves and pay off credit to capitalist countries it would have been necessary to export additional goods which, naturally, would have withdrawn large resources from the national economy. But this is not necessary when accounts are kept in transferable rubles. The planned nature of the functioning of collective currency provides for currency stability in the CEMA region and reliably protects it from the kinds of crises that are found with capitalist currency.

The transferable ruble is now the ruble of ten socialist countries--the CEMA countries which have the same type of political and social structure and have close economic, political, cultural and other relations. This currency depends on the joint economic potential of the separate countries and the economic mechanism for controlling foreign economic ties that have been agreed upon among them.

The transferable ruble is not only an international currency. It is a socialist currency. Its socialist nature is brought about by the homogeneous economic basis of the CEMA countries and the fundamental principles according to which their international cooperation develops. These principles are: internationalism, respect for state sovereignty, independence and international interests, nonintervention in internal affairs, full equal rights, mutual advantage and fraternal mutual assistance. Their observance provides for economic equality and equivalency of accounts. The transferable ruble is the currency of equal partners. All this radically distinguishes the transferable ruble from capitalist currencies. The national monetary units of capitalist countries that are used as international currencies (for example, the U. S. dollar) reflect the dominance of the large countries over the small ones, strong partners over weak ones, rich over poor.

One of the distinctive features of the transferable ruble is its collective nature. Any question pertaining to the transferable ruble is resolved by the council of the MBES with all of its participants being equal. Moreover, each country has one vote, regardless of its shared participation in the bank capital. Thus Mongolia's contribution to the charter capital of the MBES is 3 million transferable rubles or one percent of the entire sum while the Soviet Union contributed 116 million rubles or 38 percent. But the USSR and Mongolia have identical rights in the bank council.

As we know, there are no such equal rights in international capitalist financial institutions. The high posts in them are occupied by the leading capitalist powers. Credit is granted to the countries participating in these organizations in proportion to the amounts of their contributions to the charter capital. This is the case, for example, with the International Monetary Fund under the aegis of the United States. This creates an advantage for the more powerful capitalist countries and places at a disadvantage primarily developing countries which are in critical need of financial assistance.

In spite of the fact that contributions to the charter capital of the MBES are made by member countries in proportion to the volume of the exports in reciprocal foreign trade, credit in transferable rubles is granted to them regardless of the sum of their contribution. Thus the recipients of credit are not placed in circumstances which can affect the independence of their country or their political course. As distinct from the requirements placed by the International Monetary Fund on countries that request credit, authorized banks of socialist states requesting credit from the MBES need not give it any information about their economic and financial position, the condition of the payment balance, gold currency reserves or other information that violates the sovereignty of the countries.

The transferable ruble is not just a means of monetary accounting. It is a constituent element of the entire economic mechanism of the socialist economic integration of the CEMA countries and of the control of their reciprocal foreign economic ties. The collective currency provides for those commodity flows and the construction of those international facilities that are agreed upon by the countries in the process of joint planned activity and in the coordination of their national economic plans, and are included in special sections of the coordinated plan for multilateral integration measures for a five-year period as well as long-term cooperative target programs.

During the course of joint planning and foreign trade activity of the CEMA countries natural-substantial proportions are established in the reciprocal exchange of commodities, and their quantities are coordinated indicating the delivery dates and the contract prices. This is formalized by signing long-term trade agreements and annual protocols concerning commodity turnover. Since this mechanism for planned control of commodity flows extends to the majority of reciprocal commodity turnover, it guarantees a firm commodity support for the transferable ruble and also guarantees its actual purchasing capacity. Additionally, it is possible to make reciprocal currency turnover correspond to the actual movement of commodity and material values among the CEMA countries, which precludes the possibility of uncontrolled entry of transferable rubles into the payment circulation as well as spontaneous and unregulated commodity and monetary flows.

The close connection between the transferable ruble and commodity turnover and the fact that it does not circulate in bank notes do not mean, however, that it is simply a "shadow" of commodities, a mirror reflection of their value. As currency the transferable ruble is a value which is separate from the commodities. It serves as a general equivalent and acts as a form in which all other goods that are not money are compared, measured and can be exchanged for one another. Being a means of multilateral accounting, the transferable ruble can move independently of goods. In this system one trade partner can acquire goods from another partner by paying

with transferable rubles, the monetary equivalent, without exchanging the corresponding commodity equivalent at the given time. In countries that purchase more goods than they sell there arises a deficit in the payment balance which can be liquidated with transferable rubles.

A country that has transferable rubles can deposit them in the MBES and obtain interest on these rubles. It is also possible to conduct operations on interstate credit. They can be invested as a shared contribution to international economic and management organizations created jointly by the CEMA countries. For example, in 1971-1972 the MBES granted countries that were members of the bank the necessary credit in transferable rubles for contributions to the charter capital of the International Investment Bank, and in 1973-1975—for contributions to the charter capital of international management organizations: Intertekstil'mash, Interatome-nergo and Interkhimvolokno. In non-trade circulation transferable rubles can be converted into the national currencies of the CEMA countries at established exchange rates, that is, they can be transferred into national bank notes, as they say, hard cash.

The Functions and Role of Collective Currency

The transferable ruble fulfills the fundamental function of money, that of a measure of value. This takes place primarily with the establishment of contractual prices for reciprocal trade among the CEMA countries by coordinating the rate of exchange with the U. S. dollar and other convertible currencies. In this function the transferable ruble is also used to evaluate jointly constructed facilities and in several other spheres of economic and scientific-technical cooperation. Transferable rubles were used to express the indicators of the coordinated plan for multilateral integration of the CEMA countries during 1976-1980.

The CEMA countries voluntarily agreed that the foreign trade (contractual) prices in reciprocal trade be based on the prices of the main world markets, while necessarily clearing them of speculative and market influences and sharp rises and falls. Say that the cleared world price of a given commodity is 10,000 U. S. dollars and 100 dollars is equal to 65.39 transferable rubles (according to the average annual exchange rate). Then the contractual price at which one CEMA country or another sells this commodity to its CEMA partner will be 6,539 transferable rubles ($10,000 : 100 \times 65.39$). As distinct from world prices, contractual prices of the CEMA countries do not change from day to day under the influence of supply and demand. They remain stable throughout the year.

The need for utilizing the main world market prices as a base is brought about particularly by the fact that the reciprocal trade of the CEMA countries amounts to about 6 percent of all world trade. Moreover they do not trade among themselves alone. The socialist countries are solid partners in the world market. By expanding trade and economic ties with capitalist and developing countries they are participating in the formation of international value on the world market.

The use of collective currency for reflecting prices in reciprocal commodity turnover provides for equality of the trade partners by creating a unified measure of equivalency for all. Conversely, the utilization of national currencies in international economic relations, as world practice shows, leads to advantages for one

of them. This makes it possible for this country to obtain unilateral advantages by forcing others to adapt themselves to the condition of its economy, payment balance and internal monetary circulation.

The contractual prices of the CEMA countries for many kinds of goods, primarily fuel and raw materials are lower than the world prices. This amounts to direct financial assistance for countries importing fuel and raw material commodities. And the primary exporter of them is the Soviet Union. At the 26th CPSU Congress Comrade L. I. Brezhnev noted: "We solve jointly those problems that arise during the course of our cooperation, and we seek ways of more correctly combining the interests of each of the fraternal countries and their common interests. This pertains, for example, to the establishment of advantageous prices for petroleum, gas and other raw material and other industrial goods which the CEMA countries deliver to one another."

The transferable ruble is used in the function of a means of payment for the reciprocal commodity turnover of the countries of the socialist community. The collective currency fulfills this function in the payment for goods and services, in payments to liquidate credit and in other cases. Partners in integration deliver one another the most varied goods for convertible rubles: raw materials and energy, machines and equipment, foodstuffs, industrial items in large demand and many other things. The USSR, for example, receives from the fraternal countries many kinds of machines and equipment, means of transportation, consumer goods and certain kinds of raw material. The Soviet Union, in turn, delivers to the socialist market petroleum, gas, ore, cotton, timber and various industrial products. During the past five years the USSR has received 90 billion rubles' worth of goods from the CEMA countries and its deliveries to other states of the CEMA have reached 98 billion rubles.

During the process of the functioning of collective currency the countries can temporarily accumulate free funds which sometimes amount to hundreds of millions of transferable rubles. Thus the transferable ruble performs the function of a means of accumulation. For some countries these accumulated funds are a currency reserve which increases as a result of interest until goods are purchased. For other countries these funds serve as a source of obtaining credit on which they pay interest.

Using the transferable ruble in the function of a means of communication, the CEMA countries have created a system of international credit which functions on a multi-lateral basis and makes it possible to spend their own currency resources economically. This system is represented by two collective credit institutes of the CEMA countries: the MBES and the International Investment Bank (MIB). The MBES is the center for the international accounts of the fraternal countries and short-term credit operations that are related to their reciprocal foreign trade. The MIB provides a system of long-term and medium-term credit for capital investments of the countries of the socialist community.

The MBES offers two kinds of credit: limited-time credit and credit pending clearance. The limited-time credit (its maximum period is three years) satisfies all the planned needs of the countries that are members of the bank for transferable rubles that arise during the course of their economic cooperation. They use this credit to cover the amounts by which imports temporarily exceed exports, to expand

commodity turnover and to equalize payment balances in reciprocal accounts. Credit pending clearance is an additional element which adds flexibility to the credit system. It makes it possible for the countries to even out the amounts by which payments exceeds incomes for short periods of time and could not have been planned in advance. The time period for liquidating this credit is not established. As a rule, it is actually liquidated in 20-30 days.

The mechanism for extending credit in transferable rubles is used to contribute to the process of equalizing levels of development of countries that have been economically backward in the past. Thus Mongolia, Cuba and Vietnam are granted credit in this currency under privileged conditions. The exporting of goods from the aforementioned states is distinguished by a sharply expressed seasonal nature. Their exports are comprised mainly of agricultural products. Therefore most of their deliveries to other countries are usually made in the second half of the year. But their imports are uniform throughout the year. In order to make payments in the first half of the year it is necessary to make extensive use of credit from the MBES in transferable rubles. Mongolia, for example, covers 60-80 percent of its foreign trade payments for these imports in the first two quarters. It is not difficult to imagine how much badly needed money would have to be drawn from this country's national economy to pay interest were it not for the credit privileges.

The International Investment Bank which has been in operation since 1971 plays an important role in the socio-economic development of the CEMA countries and in the deepening of socialist economic integration among them. Its charter capital exceeds 1 billion transferable rubles. Of this amount, 70 percent is in the collective currency and 30 percent, in convertible capitalist currencies. This means that since the beginning of the 1970's the transferable ruble has "stepped over" the boundaries of foreign trade relations and now extends to the sphere of capital investments, which shows the further increase in its role.

The main task of the MIB (it operates on the same democratic bases as the MBES) is to grant credit for the construction of facilities related to further development of international socialist division of labor, interstate specialization and cooperation in production, and expansion of the raw material and fuel base in the joint interests of the CEMA countries. This bank also grants credit in transferable rubles to Mongolia, Cuba and Vietnam under privileged conditions.

One can give many examples that show the great effectiveness of credit investments of the MIB. At the 26th CPSU Congress Comrade L. I. Brezhnev noted: "Speaking of the successes of joint labor, we can recall with legitimate pride such large facilities as the Soyuz gas line with a distance of almost 3,000 kilometers . . ." The International Investment Bank granted credit for its construction, and part of this was in transferable rubles. This credit was used to pay for deliveries from the CEMA countries, to obtain money for wages for the construction workers, to acquire local materials, and to finance reciprocal services that the organizations of countries participating in the construction rendered to one another. Credit in transferable rubles was also used to construct the linear part of the gas line, to create a production base and to construct residential buildings and facilities for cultural and personal purposes.

Credit granted by the bank is very important for expanding and reconstructing the capacities of the Tatra automotive plant in Czechoslovakia which specializes in the production of trucks with large capacities and good passability. Bank credit was used to pay for imported comprehensive flow lines, specialized metal cutting machine tools and other highly productive modern equipment. As a result of the expansion of the production capacities of the Tatra plant the output of trucks has increased a great deal. There has been a corresponding increase in the export of trucks to interested countries, including the Soviet Union.

The bank granted a large amount of credit for increasing the production capacities of the Umformtechnik combine in the GDR, which is one of the largest socialist enterprises for producing heavy presses. After the combine was constructed and provided with highly productive modern equipment its production capacity increased significantly. The combine's output is delivered to such extremely large enterprises which are important for the economic integration of the CEMA countries as the Kama automotive plant in the USSR, the Tatra plant in Czechoslovakia, the Ikarus plant in Hungary and similar enterprises in other countries.

At the present time the collective currency of the CEMA countries is used in essentially all spheres of their cooperation--material production, scientific and technical cooperation, foreign trade and non-trade turnover, including tourism. Transferable rubles are used to pay for transportation and construction services as well as insurance operations.

The forthcoming decade will be a large new stage in the creation of a material and technical base for communism in the Soviet Union and a well developed socialist society in the European CEMA countries as well as in the industrialization of the economies of Vietnam, Cuba and Mongolia. The accountability report of the CPSU Central Committee to the 26th Party Congress points out: "The CPSU and other fraternal parties are taking a course toward transforming the next two five-year plans into a period of intensive construction and scientific-technical cooperation among the countries of socialism." In connection with this it will be necessary to provide for more efficient operation of the currency and finance mechanism for the fulfillment of the key tasks in economic and scientific-technical cooperation as well as to provide for prompt and continuous supply of monetary and material resources for large-scale joint plans that arise from long-term target programs.

One of the characteristic features of this program is their clearly expressed investment nature. Large economic resources, including currency, will be needed to carry them out. According to rough calculations, in order to carry out the measures earmarked by the target programs in the area of material production during the period of 1981-1990 it will be necessary to allot capital investments in the amount of about 70-90 billion transferable rubles. This is 8-10 times more than the investment program of the coordinated plan for multilateral integration measures during 1976-1980. Therefore the transferable ruble becomes more important as a currency resource--the source for providing monetary funds for joint economic plans of the CEMA countries. This will increase its role in international economic relations even more.

In the future the transferable ruble will enter the broader international arena. It says in the comprehensive program for socialist economic integration: "The collective currency (transferable ruble), as its role increases, can be used in the future in accounts with third countries and occupy among other currencies that are used for international accounts a place that corresponds to the role and significance of the CEMA countries in the world economy." The main general economic prerequisites for a further increase in the role of the transferable ruble are the steady growth of the economic and scientific-technical potential of the CEMA countries, the development of their economic ties, the strengthening of relations involving fraternal cooperation and comradely mutual assistance, and the deepening of socialist economic integration.

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CSO: 1825/40

IBEC ACTIVITIES FOR 1980 SUMMARIZED

Moscow FOREIGN TRADE in English No 8, 1981 pp 42-44

[Text]

Last year the International Bank for Economic Cooperation (IBEC) spared no effort to implement the tasks its Council set to promote economic cooperation between its member countries.

The Bank's balance operations amounted to 231 billion rubles in 1980. Its balance volume had risen by 23.3 per cent, or in absolute figures against 1979 by five billion transferable rubles.

Last year, IBEC operations in transferable rubles increased by 6.5 per cent and were worth 176.3 billion transferable rubles.

In 1980 the credit and settlement system of the Bank's member countries in the collective currency, the transferable ruble, has made further progress. The smooth settlement and credit operations performed by the Bank in transferable rubles prove the reliability and stability of the collective currency, founded upon the preliminary planning of economic cooperation by the participating countries.

The transferable rubles' interest rates, used by the Bank in 1980, remained stable.

The volume of the mutual settlements made through the Bank by its member countries was 122.9 billion transferable rubles, 7.8 per cent higher than in 1979. Trade between the member countries accounted for 95 per cent of these operations.

In 1980 the volume of credits granted to the member countries' banks came to 9.7 billion transferable rubles, 16.3 per cent over the 1979 level.

With an increased sum of settlement credit, due to the growing needs of individual countries for credits to cover short-term excesses of payments over receipts in trade turnover settlements, its share in the total volume of credits in transferable rubles dropped slightly and came to 32.8 per cent. On the average, this credit turnover time was 21 days.

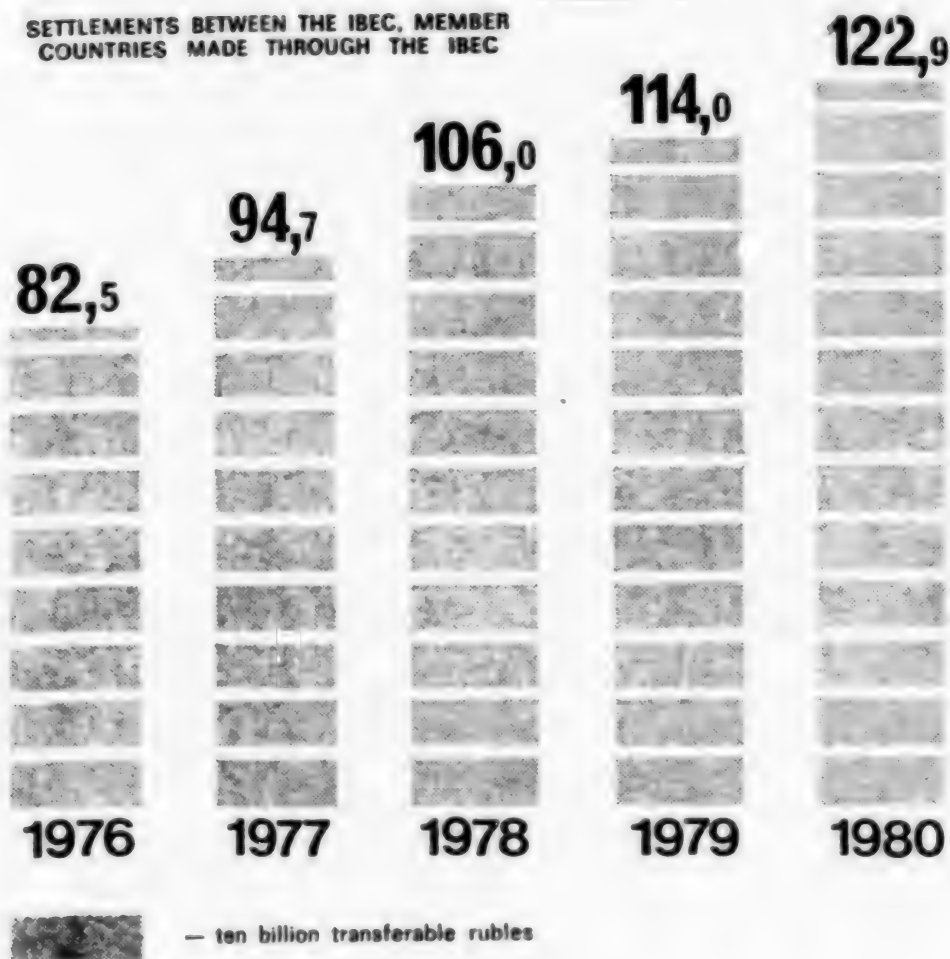
Over the past five years the Bank's transferable ruble operations have grown considerably through the increased mutual trade and other forms of economic cooperation between the member states. In the 1976-1980 period the

volume of settlements between them more than doubled, compared to the 1971-1975 period (from 250 billion to 520.1 billion transferable rubles). The fact that the sum of credits in transferable rubles, granted by the Bank in the 1976-1980 period, amounted to 35 billion transferable rubles against 17 billion in the preceding five-year period, demonstrates the steadily growing importance of the IBEC's credits for developing economic cooperation between its members.

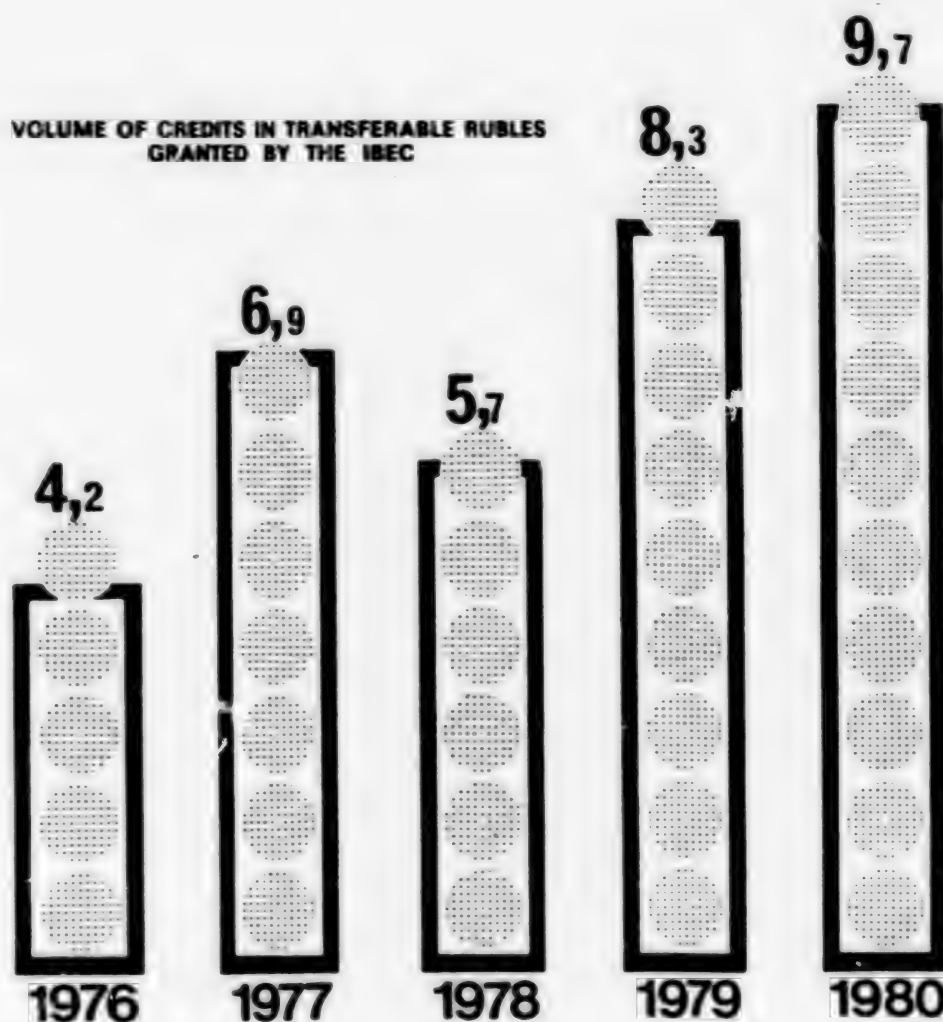
IBEC's operations in convertible currencies and gold were carried out, as in 1979, against the background of high liquidity on the international monetary markets. Last year the situation on these markets remained unstable and strained, with sharp exchange rate fluctuation with record-high interest rates on the US money market and, consequently, on the Euro-dollar market.

With this situation on the monetary markets, the Bank carried out its operations in the period under review in convertible currencies and gold and rigidly adhered to its

SETTLEMENTS BETWEEN THE IBEC, MEMBER COUNTRIES MADE THROUGH THE IBEC



**VOLUME OF CREDITS IN TRANSFERABLE RUBLES
GRANTED BY THE IBEC**



— billion transferable rubles

policy, aimed, in particular, at guaranteeing the security of its assets and assuring its solvency as a whole. At the end of the year the total balance of funds in convertible currencies, attracted by the Bank, was 2.7 billion transferable rubles, i.e., 3.3 per cent more than at the end of 1979. Funds in this currency were accepted and placed in financial transactions not only by the banks of CMEA members but by the banks of the Western countries as well.

The volume of IBEC operations in convertible currencies climbed rapidly in the 1971-1975 period, due mostly to the Bank's growing reputation on the international monetary markets. In that period, with the then "confidence crisis" Western banks made offers to the Bank to place with it large sums of money in convertible currencies, primarily as deposits, which the Bank could use in keeping with its interests.

The Balances of attracted and placed funds had reached a quite high level by the mid-1970s, permitting the Bank to vary its future activities somewhat in this field. Despite monetary markets' high liquidity the Bank centred its efforts on structural improvements, on the qualitative side of its operations.

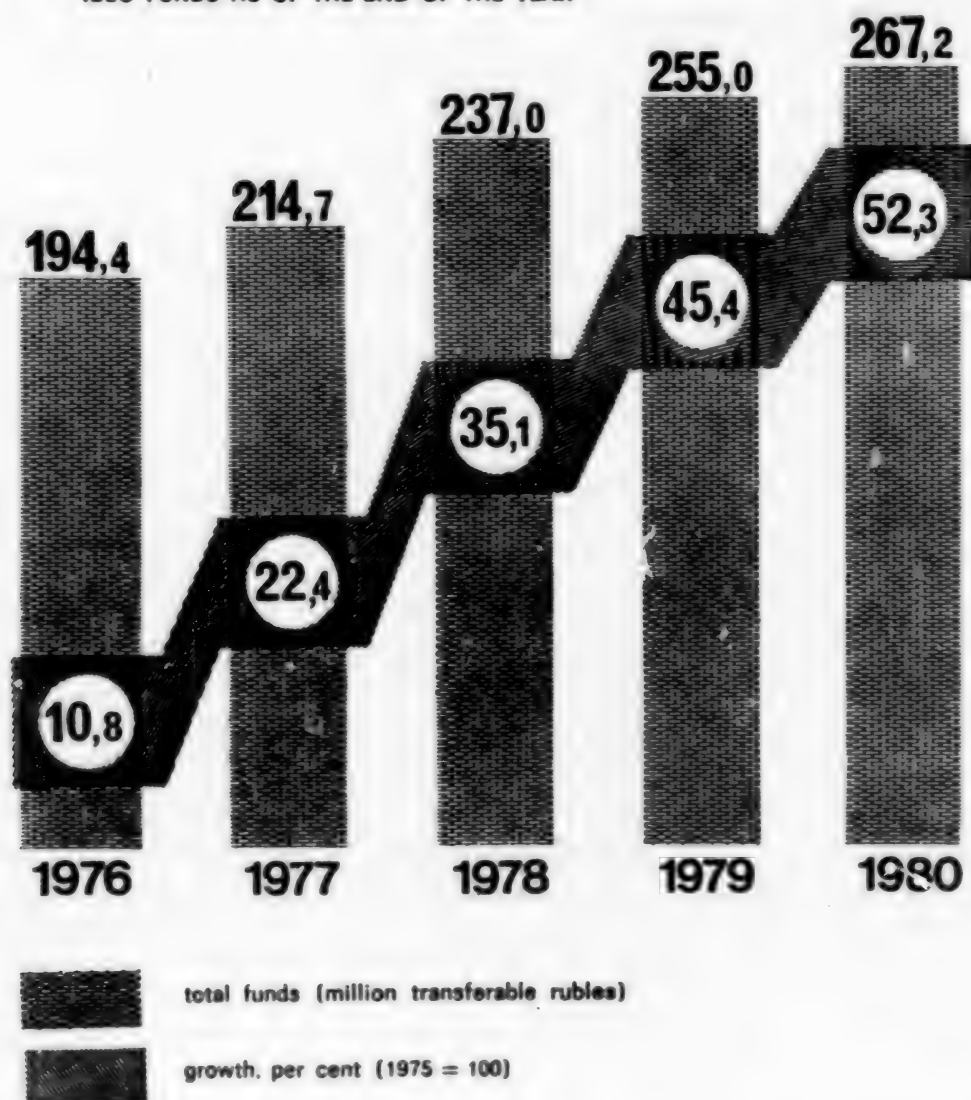
In recent years, due to the improved structure of attracted and placed funds, regarding terms, despite the growth in size, the

turnovers of operations in convertible currencies have in general fallen off. In 1980 they declined by 18.5 per cent against the previous year.

The Bank maintained its correspondence relations with other banks on a mutually advantageous basis. As in previous years, it held regular meetings with the bank officials from many countries. These meetings were promoted, in particular, by the offices of numerous Western banks in Moscow.

In 1980, the Bank's profits grew by 4.7 per cent as against 1979 to 30.9 million transferable rubles.

IBEC FUNDS AS OF THE END OF THE YEAR



International Bank for Economic Cooperation

BALANCE SHEET

(in transferable rubles)

ASSETS

LIABILITIES

As of December 31			As of December 31		
	1979	1980		1979	1980
1. Monetary funds			1. Capital funds of the Bank:		
(a) current accounts and cash	33,489,456	20,725,193	(a) authorised capital — 305,262,000 (paid-up capital)	121,645,760	121,645,760
(b) deposits	2,123,384,110	2,206,138,488	(b) reserve capital	133,404,878	145,577,574
	2,156,873,566	2,226,863,681		255,050,638	267,223,334
2. Credits granted	1,826,378,702	2,673,192,846	2. Deposits		
3. Bank property	672,049	497,916	(a) current accounts	387,797,570	730,608,618
4. Other assets	57,189,046	83,563,547	(b) deposits	2,843,179,269	3,371,166,581
				3,230,976,839	4,101,775,199
Total	4,041,113,363	4,984,317,990	3. Credits received	450,775,825	490,350,435
			4. Other liabilities	74,776,666	94,074,168
			5. Net profits	29,533,395	30,894,854
			Total	4,041,113,363	4,984,317,990

The IBEC Council reviewing the Bank's last-year activities decided to distribute 21.1 million transferable rubles among the member countries and deposit 6.3 million transferable rubles to the reserve fund. As a result, the reserve capital rose from 145.6 million to 151.9 million transferable rubles at the beginning of 1981. In connection with the construction of an IBEC office building in Moscow, the Bank Council decided to allocate 3.5 million transferable rubles of the 1980 profit to the construction fund.

In 1980 the Bank maintained close contacts with the agencies of the Council for Mutual Economic Assistance, the International Investment Bank, the International Institute of Economics of the World Socialist System on issues of common interest, and took part in the work of the organs of the UN Conference on Trade and Development (UNCTAD) under the consultative status granted to the Bank.

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CSO: 1812/78

TRADE WITH INDUSTRIALIZED COUNTRIES

FOREIGN TRADE MINISTER DISCUSSES USSR-FRANCE TRADE

Moscow FOREIGN TRADE in English No 8, 1981 pp 2-5

[Article by Nikolai Patolichev]

[Text]

The development of business and foreign economic relations between countries, regardless of their social system, is an objective law of our era.

"Life requires fruitful cooperation of all countries for solving the peaceful, constructive tasks facing every nation and all humanity,"¹ emphasized Leonid Brezhnev in the Report of the Central Committee of the CPSU to the 26th Congress. The 26th Congress of the CPSU progressed further ahead along the steadfast line being pursued by the Soviet state for the expansion of economic, scientific and technical ties with other countries on equitable and mutually advantageous foundations.

One important feature of world economic progress in the postwar period has been the tendency towards internationalization of production, with broader utilization of benefits offered by the deepening international division of labour. The high development rates of foreign trade are an appropriate indicator of the USSR's growing participation in the international division of labour. During the Tenth Five-Year Plan Period (1976-1980) its volume increased nearly 1.9 times, i.e., much above the target envisaged by the five-year plan.

However, the Tenth Five-Year Plan Period was characterized not merely by the high development rates of the USSR's foreign economic relations, but also by the further progress of their forms, by the deepening industrial cooperation, and the growing

¹ L. I. Brezhnev, Report of the Central Committee of the CPSU to the XXVI Congress of the Communist Party of the Soviet Union, Novosti Press Agency Publishing House, Moscow, USSR, 1981, p. 44

scope and longer terms of economic contracts with foreign countries. The trend for expanding economic relations not merely on a bilateral but also on the multilateral basis received a new impetus.

The socialist countries, above all the CMEA member-countries, are the USSR's greatest foreign trading partners. All-round development of cooperation with these countries was and continues to be the main trend of the USSR's foreign trade policy. In 1980 the volume of the USSR's trade with the socialist CMEA members rose to 46,000 million rubles and their proportion in the USSR's foreign trade turnover equalled 49 per cent.

In the Tenth Five-Year Plan Period, trade and economic cooperation with the developing countries made further progress, this being shown not merely in the growth of trade volumes (12,000 million rubles in 1980) but also in the continuous expansion of the assistance rendered to these countries in building their national economies.

Some new phenomena were observed in the development of economic relations with the capitalist countries.

In matters pertaining to economic cooperation with the capitalist countries the USSR consistently follows Lenin's principle of peaceful co-existence of states with different social systems. Considering this kind of cooperation to be one of the factors stabilizing international relations, the Soviet state stands for their development on the basis of equality and mutual benefit.

Advantages inherent for all sides from the development of economic relations between the USSR and capitalist countries are self-evident. Stable trade and economic ties with the USSR secure for capitalist companies the stable marketing of significant quantities of different machines and equipment, ferrous metallurgy and chemical industry products, agricultural and consumer goods. Soviet orders greater utilize the production capacities of such companies and assure employment for hundreds of thousands of workers. At the same time imports from the USSR are highly important for numerous Western countries, above all of fuel and energy items. Stable trade and economic relations between the Western countries and the USSR became particularly significant in the second half of the 1970s under the conditions of long-term crisis phenomena in the capitalist economy.

At the same time, trade with the Western countries helped raise the efficiency of the USSR's social production and improve the material welfare of the Soviet people.

Unfortunately, we cannot say that these reciprocally advantageous relations have in recent years been developing without difficulties and obstacles. As pointed out at the 26th Congress of the CPSU, not infrequently attempts were made to use trade as a means of political pressure. In the first place this applies to the universally known activities of the USA. Under its influence some Western countries undertook certain trade and political steps aimed at aggravating economic relations with the USSR. However, many capitalist states and, above all, the majority of West European countries preferred to preserve their business relations and cooperation with the USSR. Despite the aggravation of the international situation, trade turnover with the West European countries continued to make good progress in recent years. Between 1976 and 1980 it rose nearly 2.5 times, and in 1980 surpassed 25,000 million rubles, i.e., more than 30 per cent above 1979.

Regarding our trade with the USA its volume in 1980 decreased significantly. And we do not hold the blame for this, as was pointed out at the 26th CPSU Congress. It is the outcome of the United States' policy of using trade for unfitting political motives, a policy alien to the interests of equitable international cooperation.

The Soviet Union's main trading partners among the West European countries are the FRG (5,800 million rubles), Finland (3,900 million rubles), France (3,700 million rubles).

In recent years the successful realization of economic agreements and programmes previously concluded with these countries, of large-scale deals and contracts on cooperation for building industrial complexes, including those on a compensation basis in the USSR, continued. The implementation of the agreements with the French, Austrian, Italian and West German firms on deliveries of Soviet natural gas to these countries, in part as payment for pipes and equipment purchased from these countries for the USSR's gas industry, was going ahead. Agreements and contracts on cooperation for constructing some up-to-date enterprises for the chemical, metallurgical and other industries, for the development of mineral deposits in the USSR, concluded with Finnish, French, Italian, and West German firms, were being implemented.

The legal and contractual aspects and long-term basis of economic relations have been significantly strengthened.

During 1976-1980 the USSR signed with the West-European countries more than forty new intergovernmental agreements, programmes and other documents on questions of trade and economic relations, mainly long-term ones. Particularly important among them is the Long-Term Programme for the Development and Deepening of Trade, Economic, Industrial, Scientific and Technical Cooperation Between the USSR and Finland which continues up to 1995, the Agreement of 1978 on Developing and Deepening Long-Term Cooperation Between the USSR and the FRG in the Economic and Industrial Fields, covering a period of twenty-five years, the Long-Term Programme for the Extension of Economic, Industrial and Technical Cooperation between the USSR and France in the period 1980-1990. Thus, at present the USSR has long-term trade and economic agreements and cooperation programmes with nearly all West European countries.

Intergovernmental mixed commissions set up with the majority of West European countries are actively contributing to the development of trade, economic and industrial cooperation. In the past five years as many as seventy sessions of joint commissions were held to discuss highly important specific problems pertaining to the progress of economic relations.

A positive example of the development of trade and economic relations between countries with different socio-economic systems is the Soviet-French cooperation.

France was one of the first among the leading West-European countries to have embarked on the path of large-scale development of economic cooperation with the USSR. Its principles and mechanisms laid down during the visit of France's President de Gaulle to the USSR in 1966 were further elaborated in the subsequent years. The past fifteen years were characterized by the high-rate growth of Soviet-French trade turnover, diversification of the forms of economic cooperation, the strengthening of its contractual-legal base. Common features of Soviet-French economic relations are now: stability, reliability, permanence and magnitude.

Alongside of objective economic prerequisites stemming from different specialization of the USSR and France within the framework of the international division of labour, the greatest factor causing the successful progress of Soviet-French economic cooperation proves to be the political will of the two sides to strengthen and expand bilateral relations and the deep understanding that only through detente and cooperation peace can be safeguarded and relations of goodneighbourliness, concord and cooperation between different countries maintained. Adherence of the USSR to its course of developing relations with France was reiterated at the 26th Congress of the CPSU. Leonid Brezhnev in his report emphasized that the Soviet-French relations are an important factor of detente and that the USSR stands for their further rapid progress.

High trade growth rates are telling evidence of the successful advances being made in trade and economic relations between the USSR and France. Soviet-French trade turnover rose from 1,300 million rubles in 1975 to 2,600 million rubles in 1979, totalling over 9,000 million rubles for the 1975-1979 period, i.e., thrice as high as the Soviet-French trade volume in 1970-1974. The 1980 trade turnover reached 3,800 million rubles, i.e., 43 per cent above the 1979 level. Thus, the two sides are implementing the understanding achieved in the course of Soviet-French high-level talks in April 1979 to take all necessary steps to secure a further significant growth of balanced trade turnover in the 1980-1985 period as against the preceding five-year period so as to maintain the average growth rates in Soviet-French trade, the same as were recorded in the previous five-year period.

The 1980 balance in Soviet-French trade favourable to the USSR in no way contradicts this understanding. A periodic trade balance variation inevitably accompanies increased trade turnover and assures balanced trade between the two countries for the specified period. Thus, the trade balance for the 1970s was on the whole favourable to France. At the same time, we are aware of the French side's anxiety. It is no accident that the problems of the balanced development of trade came under further detailed scrutiny at the 15th Session of the Soviet-French Standing Joint Commission held in December 1980 and at the 18th Session of the Joint Soviet-French Commission on Scientific-Technical

and Economic Cooperation held in February 1981. It is to be noted that during these discussions the French side repeatedly stressed its concern for preserving the attained high volumes of Soviet exports, above all, in fuel-energy items which constitute their basis. Soviet deliveries of energy carriers to France, being largely realized on a long-term basis, provide a reliable supply of power goods to our French customers in the face of great instability on the world market.

Correspondingly, solving the problem of more balanced development of trade turnover should be achieved, in our opinion, by stepping up French imports. Important steps in this direction were already made in 1980 when large contracts were signed with French companies for deliveries to the USSR of complete equipment for such projects as factories to produce stationary off-shore oil platforms, a factory to make globular graphite cast-iron tubing by the centrifugal casting method, a workshop for the production of electrotechnical dynamo steel, a chemical plant to turn out fluoric aluminium salts. Likewise in 1980 a new major long-term agreement was concluded with Rhône-Poulenc on cooperation in the chemical industry, in particular, for the construction of a number of installations using this company's technologies in the USSR and for modernization of plants presently operating as well as mutual deliveries of certain chemical goods.

In compliance with the Long-Term Programme for Extension of Economic, Industrial and Technical Cooperation Between the USSR and France in the Period 1980-1990, signed in the course of the Soviet-French summit meeting in April 1979, France's companies and Soviet foreign trade organizations are negotiating new large cooperation projects, including compensation-based ones, such as, for instance, the modernization of a motor works in Moscow, survey and exploitation of natural gas on the northern seas' shelf, cooperation in development of the Astrakhan gas-condensate fields. A successful outcome to the negotiations on new cooperation projects is bound to promote Soviet-French trade still further and give it a more balanced basis. The measures for 1980-1982 promoting implementation of the Long-Term Programme, signed at the 15th Session of the Soviet-French Standing Joint Commission stimulated this work and increased the scope of Soviet-French cooperation.

Development prospects for the USSR's foreign trade in the 11th Five-Year-Plan Period (1981-1985) stem from the immediate goals set by the 26th Congress of the CPSU in the field of the national economic development and will be largely determined by the further growth of the USSR's economic potential.

The loftiest aim of the CPSU economic strategy, as emphasized in the Guidelines for the Economic and Social Development of the USSR for 1981-1985 and for the Period Ending in 1990, is "a steady improvement of the material and cultural standards of the people's life and the creation of better conditions for the all-round development of the individual, based on further growth of the efficiency of all social production, higher labour productivity and greater social and labour activity of the Soviet people."

Intensification of the economy is a most important national economic goal of the 1980s. To secure its fulfilment it is planned to increase labour productivity, use material, labour and financial resources more effectively, spare no effort that can improve manufacturing techniques and technologies, better the capital investment structure, speed up reconstruction and modernization of enterprises, secure higher returns from fixed assets.

During the 11th Five-Year Plan Period the national income used for accumulation and consumption will rise by 18-29 per cent and total industrial output by 26-28 per cent.

In this period the USSR's power potential will be significantly raised, largely due to the construction of atomic power stations; the output of energy carriers, above all natural gas and coal, and greater extraction of other useful minerals. Such industries as iron and steel, chemical and petrochemical, mechanical engineering and metal-working, have been given development rates that are higher than average.

Priority is accorded to consumer goods production. The output of the means of production is to increase in 1981-1985 by 26-28 per cent, that of consumer goods by 27-29 per cent. Particularly high development rates have been envisaged for cultural and household goods, the output of which is listed to rise 1.4 times.

Agriculture will receive further intensification. During the 11th Five-Year Plan Period the annual increase of agricultural output will rise on average 12-14 per cent. To achieve this growth rate quite a number of specific measures have been planned that will raise labour productivity, soil fertility and harvesting power, improve fodder production, and develop the appropriate infra-structure. Special

attention will be given to developing animal husbandry.

New goals have been set in the field of forestry, food industries, microbiological industry, transport, etc.

All the above measures will assist the development of the USSR's foreign trade relations too. The Guidelines for the Economic and Social Development of the USSR for 1981-1985 and for the Period Ending in 1990 stress the need "to continue the development of foreign trade and economic, scientific and technical cooperation with foreign countries, to make rational use of the advantages of the international division of labour and of the possibilities of external economic ties for raising the efficiency of socialist production." Thus, the deepening of foreign economic cooperation will correspond to our state's general line for raising the Soviet people's well-being.

With the view of expanding the Soviet Union's foreign trade the output of export commodities is to be augmented. We shall improve the pattern of exports, mainly through increasing the production and delivery of engineering and other finished products, goods that have a higher degree of processing and improving their technical level and quality.

In the import field we shall make more effective use of the potentialities of the international division of labour to speed up scientific and technical progress, to meet more adequately the national economic requirements for advanced equipment, the latest manufacturing processes, for raw and semi-finished materials, as well as to meet the population's demand for consumer goods more fully.

The bulk of the USSR's foreign trade in the future too will fall to the share of the socialist countries and above all, of the CMEA member-countries. Further progress on a long-term, equitable basis will be made in all-round economic, scientific, technical and other ties between the USSR and the developing countries.

As for the development of economic cooperation with the capitalist countries, in the 11th Five-Year Plan Period the USSR will be "proceeding from the principles of peaceful coexistence of states with differing social systems and the need to strengthen detente, to maintain stable mutually beneficial trade, economic, scientific and technical contacts" with the states "showing interest in cooperation with the Soviet Union". We shall continue to implement the existing understandings, agreements and contracts related to the realization of large-scale projects in the fuel, metallurgical, chemical industries and in other branches of the national

economy. We are prepared to expand such cooperation on the mutually advantageous equitable basis through the conclusion of new agreements and contracts. In our opinion, the project for building in the USSR a new gas pipeline to provide additional deliveries of Soviet natural gas to West-European countries is a very interesting one in terms of large-scale cooperation initiatives. The reciprocal advantages inherent in this project are not to be put in doubt. We are ready for cooperation. However, certain circles are out to block the realization of this project, maintaining in particular that its implementation would allegedly put the West European countries in the position of inadmissibly great dependence upon natural gas deliveries from the USSR. In reality these circles' anxiety is caused by different reasons. They are averse to the fact that such multilateral all-European cooperation projects fully corresponding to the provisions of the Final Act of the Conference on Security and Cooperation in Europe are strengthening the mutual understanding and confidence among peoples, are in effect a realistic contribution to the strengthening of detente and peace.

The USSR's high reputation as a trading partner is universally known. With numerous capitalist countries, above all the FRG, Finland, France and some other West-European states, we have already laid a solid foundation for the further progress of trade and economic cooperation in the 1980s. As pointed out at the 26th Congress of the CPSU "We give due credit to many of the capitalist countries and their businessmen for their constructive approach to questions of international economic cooperation and will develop our trade first of all with these countries."²

This does not mean, however, that we completely close our doors to other countries. We are prepared to develop economic relations with all capitalist countries, including the United States, on an equitable and mutually beneficial basis. At the 26th CPSU Congress was also stressed that "the Soviet Union's line of security for the extensive development of international economic cooperation has not changed, because that is our fundamental course reflecting in foreign economic relations the motivated orientation of Soviet foreign policy on safeguarding peace, deepening detente and furthering mutual understanding among nations."³

² N.A. Tikhonov. Guidelines for the Economic and Social Development of the USSR for 1981-1985 and for the Period Ending in 1990. Novosti Press Agency Publishing House. Moscow, USSR, 1981, p. 52.

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TRADE WITH INDUSTRIALIZED COUNTRIES

ECONOMIC RELATIONS BETWEEN USSR AND WEST EUROPE ANALYZED

Vienna EUROPAEISCHE RUNDSCHAU in German No 3, 1981 pp 87-94

[Article by N. N. Inozemtsev, member of the CPSU Central Committee, director of the World Economics and International Relations Institute, Moscow: "USSR-Western Europe: Problems and Prospects for Foreign Economic Relations"]

[Text] The world has entered the 1980's. What will the last two decades of the 20th century bring us? Detente and extended international cooperation or confrontation and increasing economic isolation? These are difficult questions--questions to which there are--or can be--no simple, unequivocal answers.

Before turning to the future, let us look back on the recent past so as to examine what mankind has brought along into the 1980's. As is well known, the last decade was quite complex--in regard to the world economy as a whole and in regard to the economic relations among the various countries and regions. Inflationary price hikes, increasing difficulties in regard to the energy and--to some extent--the raw materials supply, monetary chaos, and aggravation of the problems concerning environmental protection--these were by no means all of the problems confronting the economies of the Western states in the 1970's. In addition, there were serious difficulties in the relations between the highly developed states and the developing countries. During the last decade, these factors thrice gave rise to economic crises in the capitalist world, the most serious of which was the crisis of 1974/75. In most of the capitalist countries, the rate of economic growth declined considerably, and in a number of these countries protectionist trends became more and more pronounced. All this was bound to affect international trade, and the rate of growth in this sector showed a sizable decline.

Will the above-mentioned factors, which caused to shrink the rates of economic growth and the network of international economic relations, be operative in the 1980's as well? In all probability--yes. However, as regards assessment of the long-range prospects, the researchers of the institute I represent--the World Economics and International Relations Institute at the USSR Academy of Sciences--are far from predicting an inevitable--automatic, as it were--deterioration of the economic situation in the 1980's and up to the end of our century. The matter is much more complex.

First of all, we are convinced that in spite of the existing difficulties (which will be discussed in detail below), the national economies of the Soviet Union and of the other socialist countries will be expanding steadily; due to the increasingly

important role this group of countries plays in the world economy, this is a factor that stimulates their overall development.

Furthermore, we are convinced that in spite of unfavorable circumstances--such as the economic backwardness of the developing countries, the huge mass of "superfluous" manpower in these countries, the complexity of the production conditions, the growing foreign debt, etc.--that in spite of all these factors the trend toward accelerated economic growth in these countries--as compared with the economic development of the capitalist countries--will be continuing and thus also the trend toward increasing world-economic importance of the developing countries. According to various calculations, the developing countries' share of the GNP of the non-socialist part of the world may by the year 2000 increase to approximately 23 to 26 percent, and in industrial production, to 27 to 32 percent (at present, the respective figures are 19 and 19.5 percent, calculated in 1975 prices based on UN statistics).

As far as the developed industrialized countries are concerned, it appears that the 1980's will be a rather complex and--in certain respects--perhaps crucial period. These countries are confronted with difficult problems such as the objective necessity of economic reorganization oriented toward maximum energy and raw materials economy--the time when energy and raw materials were relatively cheap is definitely past. It will be necessary to solve the increasingly critical problems of inflation and unemployment and to create an efficient mechanism of economic control; the statements of the Thatcher Government and of the Reagan Administration on the return to "free enterprise," which reflect the crisis of Keynesianism, can hardly be considered realistic politics.

Growing Internationalization

There are other factors that must not be ignored. We proceed from the assumption that the possibilities of worldwide scientific-technological progress have not nearly been exhausted. In view of the excellent conditions present, we hold that the scientific discoveries and technical accomplishments of the coming decade will not be inferior to those of the 1950's or 1960's. I will not discuss this question in detail; I merely want to point out that we can expect breakthroughs in the field of transformation and opening up of new energy sources, in the production of new substances with predetermined characteristics, in the modification of many technological processes as a result of the large-scale utilization of microprocessors and industrial robots. The prospects offered by the advances of modern biology, gene research, and biological engineering cannot be viewed too positively.

In view of these circumstances, we hold that in the 1980's, the economic growth rates of the capitalist industrialized countries--while falling a little short of those of the 1950's and 1960's--will remain relatively high.

As to the developmental trends in world-economic relations, we believe that the increasing internationalization of economic activity, the intensification of the international division of labor represent an inevitable process that is in accordance with the laws of history. For it is no accident that economic integration is progressing more and more rapidly--in the capitalist part of the world and in the socialist part, in the countries of the Council for Mutual Economic Assistance. In the last decade, this process became greatly accelerated as a result of the

scientific-technological revolution. In the 1980's, this trend will be continuing due to the effect of important factors such as the increasingly important role of global problems--the problems concerning energy, raw materials, production, the environment, the exploitation of the oceans, etc. One can justly say that solution of these problems is the most important task of our era. And each of these problems can be solved only through collective efforts based on cooperation of all groups of states--the socialist states, the capitalist states and the developing countries.

It goes without saying that this necessitates an appropriate international climate--peace must be maintained and the arms race must be stopped. But we are optimists; we believe in human reason, in the good will of the nations; we believe that in the long run the positive trends will gain the upper hand in international relations.

It is against the background of these general ideas concerning the prospects for peaceful development that we are considering the future economic relations between East and West and--in particular--the relations between the Soviet Union and the West European countries.

The Economic Situation in the Soviet Union

I would like to make a few comments on the economic prospects of the USSR, on the main developmental trends in this regard--primarily from the point of view of the resolutions adopted at the 26th CPSU Congress, which took place in February of this year in Moscow.

The Party Congress summed up the results of the last 5 years, of the 10th Five-Year Plan. The analysis focused on the economic policy of the Soviet Union in the 1970's in their entirety. At the same time, the congress laid down the targets and main lines of economic development for the period from 1981 to 1985 and for the entire period up to the end of 1990. In other words, the congress was concerned with the Party's conclusions and long-range economic policy guidelines, and it is important to keep this in mind in assessing the Soviet Union's political course and plans.

First of all--a few target figures. The growth rate projected for the period from 1981 to 1985, i.e. the 11th Five-Year Plan, is based on the rate achieved during the period from 1976 to 1980, during the 10th Five-Year Plan. Within 5 years, the national income is to increase by 18 to 20 percent; industrial production is to expand by 26 to 28 percent, and agricultural production, by 12 to 14 percent. In the second half of the 1980's, the rate can and will be increased. According to the calculations made, the national income earmarked for consumption and accumulation will by 1990 show at least a 1.4-fold increase.

And now some comments on the qualitative aspect of these plans. In his speech at the Party Congress, the secretary general of the CPSU Central Committee and chairman of the Presidium of the USSR Supreme Soviet, L. I. Brezhnev, emphatically stated that the well-being of the Soviet people, the improvement of their material and cultural living standard is and remains the primary objective of the Party's economic strategy. The following measures are the most striking evidence of the practical implementation of this directive, of the peaceful orientation of our policy:

--The increase in the consumption fund's share of the GNP (to 77.4 percent in 1985, as compared to 75.3 percent in 1980);

--a higher rate of consumer goods production (i.e. of Group B), as compared to the production of producer goods (Group A); higher targets for the production of consumer goods by the heavy and armaments industries;

--the special attention the Party Congress devoted to the drafting and implementation of a complex production program for the 1980's; the allocation of increased investments for the further development of agriculture (nearly one-third of the total investment volume);

--housing construction, continued at the same level (and this is truly impressive--one need only mention the fact that in the 1970's the floor space of newly built housing exceeded that of all the housing available in the country at the beginning of the 1960's).

The second qualitative characteristic of the 1980's is the guideline concerning the reorientation of the economy toward intensive development--a task of tremendous dimensions, the special significance of which had already been stressed at both the 24th and the 25th Party Congress.

The transition to intensive economic development is in accordance with inherent laws; for all economically advanced countries, it is the only way. This transition was made possible by the enormous dimensions of the industrial apparatus built in our country, by the enormous investments in the national economy (we need only mention the fact that in regard to indicators such as oil production and output of steel, cast iron, mineral fertilizer, cement, wool textiles, leather shoes and a number of other products, the USSR ranks first in the world), by the availability of highly developed scientific-technological capacities and highly qualified experts, and by the experience gained in controlling a complex, ramified economy.

At the same time, one cannot ignore the fact that in the 1980's there will be operative a great many unfavorable factors that will complicate economic development. These factors include the decline in labor reserves, the transfer of the mineral industry to remote regions in the east and in Siberia, the necessity to increase the expenditures on environmental protection, on the development of the infrastructure (above all transportation and communications), and on the restoration of the production apparatus, i.e. machinery and equipment, which are largely obsolete.

Taking into consideration all of these circumstances, the Party Congress gave priority to fuller and more efficient utilization of fuel, energy, raw materials, production capacities and manpower reserves. One of the ways of accomplishing this is to accelerate scientific-technological progress; in basic research and in the elaboration of theoretical problems, the focus should be on solving key economic problems; the sluggishness in the practical application of scientific discoveries and inventions must be overcome. The Party Congress called for improvement of the entire planning and control system and of the economic mechanism, primarily with the object of attaining better final results. It goes without saying that in the discussions at the Party Congress the focus was on problems concerning structural policy, on reorganizing the proportions in the national economy and in the

individual enterprise so as to promote economic intensification and to meet more fully the general demands.

Energy is a good example in this regard. Obviously, we will continue to pay much attention to this sector; the funds allocated to it by the 11th Five-Year Plan exceed by far the energy allocations of the 10th Five-Year Plan. Moreover, according to all of the calculations made it will be possible to realize sizable fuel and energy savings by reducing the losses occurring in fuel and energy production and by introducing energy-saving technologies. The congress also gave priority to changing the structure of the energy balance by reducing the share of oil and increasing the share of natural gas, coal (the Soviet Union has at its disposal enormous coal deposits) and nuclear energy (during the period from 1981 to 1985, the capacity of the nuclear power plants is to be doubled). And it goes without saying that the development of new sources of energy is being continued; this includes the establishment of the foundations for thermonuclear energy projects. According to our calculations, all this will enable us not only to meet our own energy requirements, but also to remain one of the key energy exporters.

The USSR's steady rate of growth during the 11th Five-Year Plan and in the 1980's, the resolution of the 26th CPSU Congress concerning increased performance of the national economy, the structural reorganization of our national economy, which has already begun--we feel that all this opens up new possibilities; more so than ever before, it necessitates further development of the economic relations between the USSR and foreign countries.

Pluses and Minuses

Now as before, the allied socialist countries are the Soviet Union's most important partners in the field of foreign economic relations. However, the Party Congress emphasized that the USSR is prepared to extend its relations with interested capitalist states.

As is well known, in the 1970's great efforts were made to arrange the economic and scientific-technological cooperation with the West. For the sake of illustration, we will adduce a few commodity turnover figures: During these 10 years, the volume of trade between the USSR and the capitalist industrialized countries increased more than 8-fold--from \$5.7 to 48.6 billion. While it is true that price changes were a factor in this increase, the fact remains that the rate of this increase exceeded that of the entire international trade. In the 1970's, certain contractual relationships were established; an institutional mechanism was formed, and the foundations were laid for insuring long-term relations. I think it will hardly be necessary to enumerate the many agreements on various levels that were concluded between the USSR and the capitalist countries; but I would like to express my satisfaction about the fact that Austria was always in the forefront of the countries prepared to initiate stable and mutually beneficial cooperation with the Soviet Union.

During the last decade, new, unconventional forms of cooperation were developed: compensation agreements; establishment of joint enterprises in capitalist countries; agreements concerning production cooperation; experience was gained in regard to joint ventures in Third World countries.

Undoubtedly, these are positive developments. But I am far from seeing everything through rose-colored glasses. The economic cooperation between East and West is impeded by quite a few difficulties and unsolved problems.

Above all, one should mention the severe test to which was subjected--at the beginning of the 1980's--the entire system of relations between the states of the two social systems. I am referring here to the trade embargo that was imposed on the Soviet Union by the Carter Administration and that was more or less supported by other capitalist states. Essentially, this was an attempt to use the economic and scientific relations as a means of exerting political pressure on the Soviet Union. What can one say about this?

In the course of our history, our country had to deal with such attempts more than once. But we always were able to overcome the resulting difficulties, even in times when we were much weaker. Today, it is the modern way to say that the exports of most advanced technologies to the Soviet Union help boost its military potential. But it is no secret to anybody that our country built with its own resources its rockets and nuclear weapons--the key element of modern armaments--and that it did so on such a high qualitative level that it was able to reach parity with the United States.

The grain shipments are another example. Did the grain embargo pay off for its organizers? No, it did not. We were able to offset the shipments blocked by means of imports from other countries. However, one thing must not be overlooked: Such measures undermine the mutual trust; they impair the existing contacts and create an atmosphere of untrustworthiness.

We feel it is high time that all parties understand that economic relations can develop only on a basis of mutual benefit and that our partners are no less interested in such relations than are we: the Western press presently is publishing many reports on a gas pipeline project and subsequent gas shipments from the USSR to the West European countries; it is emphasized that the Soviet Union is very interested in this project. Yes, that is correct--we are interested in this project, for we consider the development of economic relations with Western Europe an important factor in regard to stabilization of the international situation and in regard to consolidation of detente. And is not the West equally interested? For us, implementation of this project would open up a new, important source of foreign currency, which in turn would be spent on products from those countries from which this income is derived. Well, and the West European countries? Are they not interested in steady gas shipments from the USSR on favorable terms? We are all in favor of precisely calculating the profits and losses of such transactions; but we are against anything indicating an unequal partnership.

Naturally, the economic relations between the USSR and the West European countries are fraught with a number of complex problems. There are difficulties in regard to the implementation of compensation agreements, in regard to the credit situation, and in regard to the development of new forms of cooperation. There are problems concerning the mechanism, organization and direction of the economic relations. The Western firms do not always find it easy to accommodate themselves to our system of economic planning, just as our foreign trade organizations do not find it easy to accommodate themselves to the requirements of the Western markets. We understand these problems and we are prepared to solve them. But this requires the cooperation and good will of all parties concerned.

Austria--an Example

Finally, a few comments on the economic cooperation between the Soviet Union and Austria. In the last 5 years, the turnover in Soviet-Austrian trade has more than doubled. The two countries signed and started on a long-term program concerning the development and intensification of economic, scientific-technological and industrial cooperation during the period from 1981 to 1990.

We appreciate the desire of the Austrian business world to maintain and extend normal economic and trade relations with the Soviet Union, and we hope that these relations will be expanded further. Even now, the mutual relations are of great significance. The USSR exports to Austria natural gas, oil, petroleum products, iron ore, cast iron, ferroalloys, chemical products, cellulose and cotton; it imports from Austria--on a permanent basis--rolled stock, machines and installations, and a large volume of consumer goods and chemical products. The USSR is one of the biggest importers of Austrian river boats: The Korneuburg Shipyard has built for the Soviet Union over 100 ships, i.e. the bulk of its output.

The results of the visit to Austria by the chairman of the Soviet Council of Ministers, N. A. Tikhonov, a few months ago testify to the possibilities regarding further development of our cooperation: An agreement was signed concerning the shipment of 800,000 tons of pipes to the USSR in the course of the next 4 years. The two countries are negotiating on the participation of Austrian firms in the construction of a metallurgical plant in the Soviet Union and on the construction of a gas pipeline that will make it possible to increase the Soviet natural gas shipments to Austria to 4 to 5 billion cubic meters.

In the last few years, Austria has repeatedly pointed out that our trade relations have resulted in a credit balance for the Soviet Union, even though this Austrian deficit was smaller than that resulting from Austria's trade with the Federal Republic of Germany. The decision of the Soviet Union to make additional big purchases in Austria testifies to the fact that the USSR is sympathetic toward the wishes of its partners, when they call for development of mutually advantageous economic relations.

In conclusion, I would like to emphasize again that in regard to the economic relations between East and West in the 1980's, much will depend on the partners' good will and mutual interest and on the international climate. As far as the Soviet Union is concerned, it continues to champion further development of these relations; it supports honest and persistent cooperative efforts oriented toward expansion of international cooperation, toward consolidation of international security. The primary objective of the USSR's foreign policy is peace; this was categorically affirmed by the 26th CPSU Congress.

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